

Financial *Status Report*

July 31, 2017

This report summarizes the City of Carlsbad's General Fund revenues and expenditures for July 2017. It compares revenues and expenditures for the first month of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

May 2017



0.1%



0.13%

Local Stock Prices



0.83%

Index of Leading Economic Indicators

Local Consumer Confidence



0.20%



0.60%

Building Permits

Help Wanted Advertising



0.06%



0.64%

Unemployment Insurance

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in May. Leading the way to the upside were moderate gains in consumer confidence and the outlook for the national economy. Initial claims for unemployment insurance and local stock prices were also positive, but only slightly so. These gains were enough to offset losses in residential units authorized by building permits and help wanted advertising to push the USD Index to its sixth gain in seven months.

May's gain represents a classic glass half full/half empty situation. While it was positive, the gain was small, and follows an unchanged reading in April. None of the components moved significantly in either direction. This falls in line with the previously reported outlook of a positive but slower growing local economy. The trend mentioned in last month's report of the local unemployment rate falling even as the rate of job growth slows continued in May. Even after taking into account that May is the second best month of the year for the unemployment rate as companies gear up for summer, the seasonally adjusted unemployment rate fell below four percent for the first time since October 2006. This occurred even though wage and salary employment increased by only 20,300 compared to May 2016. An interesting pattern that has developed is that the USD Index has stalled in each of the last two summers. It is not a problem with seasonality, as each of the components in the Index is seasonally adjusted. What the pattern plays out this summer remains to be seen.

The trend in residential units authorized by building permits continues to be negative. It fell for the fifth month in a row, although May's drop was less significant than in the previous months. The slowdown in construction plans comes at a bad time as both rents and sales prices have soared. This is having a negative impact on both employees and employers, as the former are pressed to find affordable housing while the latter have to pay higher wages, if they can find employees at all. For the third straight month, the labor market variables were mixed. The pattern again was that initial claims for unemployment insurance were positive while help wanted advertising was negative. The net result was that the seasonally adjusted unemployment rate was 3.8 percent in May. This compares to a rate of 4.0 percent in April and 4.5 percent in May 2016. After dipping slightly in April, local stock prices rebounded to continue the post-election rally. Combined with the gain in consumer confidence, which advanced for the 11th consecutive month, both investors and consumers are feeling positive about the outlook for the local economy. Another component with a long winning streak is the national Index of Leading Economic Indicators, which was up for the ninth straight month. The national economy news is mixed, with the third and final estimate of GDP growth for the first quarter coming in at an annualized growth rate of 1.4 percent. While that was up compared to the "advance" estimate of 0.7 percent and the second estimate of 1.2 percent, it is still relatively weak when compared to the historic average. The results for the national labor market in May mirrors what is happening locally, with the unemployment rate falling (to 4.3 percent) even though employment growth was weak (a gain of 138,000 jobs).¹

General Fund Revenues

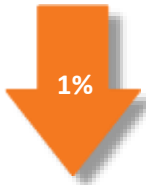


Property Taxes (\$0) – The majority of property tax revenue is collected in December and April each year. No property tax revenue was collected in the month of July 2017, which is consistent with previous fiscal years. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with

assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The increase in this year's assessed values was due

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Slightly in May*, June 30, 2017.

to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since the Great Recession ended that the city saw increases in assessed values in all three property components (residential, commercial and industrial).



Sales Taxes (\$2.2 million) – For the first month of the new fiscal year, sales tax revenues are \$16,000 (or one percent) lower than the same time period in the previous fiscal year. Sales tax revenues for the year represent the second of three advances of the city's second calendar quarter of 2017 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the first calendar quarter of 2017 (the most recent data available), key gains were seen in auto sales – new, heavy industry, restaurants, and office equipment. During the same period, key declines were seen in apparel stores, miscellaneous retail, food markets and energy sales. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$2.3 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first month of the new fiscal year reflect an

increase of \$99,000, four percent more than the previous year. A higher inventory of available rooms and higher room rates accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2017.

Currently, there are 4,381 hotel rooms and 1,159 registered vacation rentals in the city (931 timeshares and 228 short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 71 percent, identical to last year's average at this time.



Recreation Fees (\$603,000) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by eight percent compared to last fiscal year at this time. This decrease is primarily due to reduced participation in the instructional camps, which were impacted by a midweek Fourth of July holiday.



Franchise Taxes (\$436,000) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$9,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$40,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$17,000 is due to more commercial accounts coming online from new development activity within the city, more payments being made on time, and the timing of cash receipts from bi-monthly billings. Additionally, a timing difference in the receipt of the fiber optic antenna system franchise payments has resulted in a \$14,000 increase in revenue for the year.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.

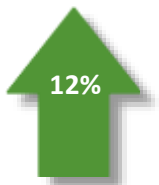


Development Related Revenues (\$354,000) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate increase for the first month of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in July included residential development at Quarry Creek and the Miles Buena Vista subdivision. Industrial/commercial building activity included two office buildings and a restaurant in Bressi Ranch, the LEGOLAND Hotel, a shell building in the Carlsbad Oaks industrial park, and a new dark ride at LEGOLAND.

One source of development related revenue is building permits, which are up 225 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction, an increase in residential permitting activity, and a decrease in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$45.7 million, while it was \$9.6 million in the previous fiscal year, a 379 percent increase. In July, Carlsbad issued building permits for 32 residential dwelling units, an increase from the seven residential dwelling units permitted in June. In the northeast quadrant, 26 residential dwelling units will be built: 10 condominiums as part of Agave at The Preserve, and 16 single-family detached homes as part of The Ridge and The Vistas at Robertson Ranch. In the northwest quadrant, three single-family homes will be constructed. Also in the northwest quadrant, three accessory dwelling units will be constructed. For the current fiscal year, 32 residential permits have been issued, as compared to three permits issued during the same period last year.

There was no non-residential activity in the month of July. Year-to-date, there has been zero square feet of commercial/industrial permits issued, as compared to 17,773 square feet of commercial/industrial permits issued during the same period last year.



Income from Investments and Property (\$342,000) – For the first month of the fiscal year, income from investments and property is up \$35,000 compared to the previous fiscal year.

Interest income is up \$23,000 for the year due to the combination of a 15.24 percent decrease in the average daily cash balance combined with a 20.9 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.168 percent last fiscal year to 1.412 percent in the current fiscal year).

Income from property sales and rentals is up by \$12,000 for the year, primarily due an increase in facility, park and pool lane rentals.



Interdepartmental Charges (\$239,000) – Interdepartmental charges are \$59,000, or 20 percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 43 percent, or \$54,000) due to recent staffing vacancies; reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 2.9 percent, or \$5,000), the result of an updated cost allocation plan.

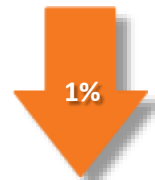


Ambulance Fees (\$239,000) – The city bills any individual who is transported in one of the city’s ambulances. Through July 2017, receipts from ambulance fees are up \$16,000 or seven percent compared to last fiscal year. This is primarily due to a small increase in the number of billable transported patients. The number of billable transported patients for the first month of Fiscal Year 2017-18 (395) versus Fiscal Year 2016-17 (379) has increased moderately.



Business License Tax (\$219,000) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are down \$56,000 or 20 percent less than the previous fiscal year. This is primarily due to a change in the way that licenses are processed in the city’s new business licensing system. This operational change has resulted in a timing delay for invoicing customers and receiving payments when compared to the prior fiscal year. A significant portion of business license revenue for July is currently being processed.

There are currently 10,712 licensed businesses operating within the city, 1,071 more than the prior year. The majority of taxed businesses (7,219 businesses) are located in Carlsbad, with 2,875 of these businesses home-based.



Other Licenses and Permits (\$87,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. Revenues are down slightly for the current year as compared to last fiscal year, however, revenues should increase as the year progresses.



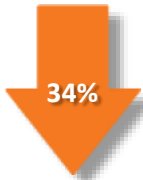
Other Revenue Sources (\$74,000) – Other revenue sources have decreased by \$8,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease to date represents an increase in prior year refunds and a decrease in loss recovery reimbursements, partially offset by an increase in miscellaneous contributions from property owners and other miscellaneous reimbursements received by the General Fund.



Fines and Forfeitures (\$61,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due entirely to fewer revenues derived from moving violations.



Other Charges or Fees (\$27,000) – Other charges and fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first month of the fiscal year, revenues are down by \$800 but higher than the expected budget at this time of \$14,000.



Other Intergovernmental Revenues (\$6,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$6,000 received this year is the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project). The decrease to date is a result of a timing differences in the receipt of a couple of police grants/reimbursements received last year at this time.

Expenditures

Total General Fund expenditures and encumbrances through the month of July 2017 are \$33.2 million, compared to \$29.5 million at the same time last year. This leaves \$135.9 million, or 80.4 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 83.5 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at July 31, 2017 is 85.3 percent, significantly lower than the 87.4 percent available at July 31, 2016.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 million in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of July 31, 2017, nothing has been authorized out of the contingency account.

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 07/31/17	ACTUAL FY 2016 AS OF 07/31/16	ACTUAL FY 2017 AS OF 07/31/17	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$0	\$0	\$0	\$0	0%
SALES TAX	2,251,863	2,229,800	2,213,500	(16,300)	-1%
TRANSIENT OCCUPANCY TAX	2,205,905	2,214,955	2,313,876	98,921	4%
FRANCHISE TAX	448,668	445,435	436,133	(9,302)	-2%
BUSINESS LICENSE TAX	323,725	274,873	218,550	(56,323)	-20%
TRANSFER TAX	0	0	0	0	0%
TOTAL TAXES	5,230,160	5,165,063	5,182,059	16,996	0%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	6,460	8,423	5,590	(2,833)	-34%
TOTAL INTERGOVERNMENTAL	6,460	8,423	5,590	(2,833)	-34%
LICENSES AND PERMITS					
BUILDING PERMITS	42,447	49,321	160,440	111,119	225%
OTHER LICENSES & PERMITS	48,336	87,643	86,662	(981)	-1%
TOTAL LICENSES & PERMITS	90,783	136,964	247,102	110,138	80%
CHARGES FOR SERVICES					
PLANNING FEES	37,574	57,172	76,099	18,927	33%
BUILDING DEPARTMENT FEES	43,950	90,896	59,755	(31,141)	-34%
ENGINEERING FEES	73,376	126,708	57,848	(68,860)	-54%
AMBULANCE FEES	242,408	223,512	239,356	15,844	7%
RECREATION FEES	658,129	655,211	603,112	(52,099)	-8%
OTHER CHARGES OR FEES	14,184	28,080	27,296	(784)	-3%
TOTAL CHARGES FOR SERVICES	1,069,620	1,181,579	1,063,466	(118,113)	-10%
FINES AND FORFEITURES	95,669	90,581	61,396	(29,185)	-32%
INCOME FROM INVESTMENTS & PROPERTY	307,660	306,376	341,683	35,307	12%
INTERDEPARTMENTAL CHARGES	284,434	298,655	239,469	(59,186)	-20%
OTHER REVENUE SOURCES	65,065	81,515	73,573	(7,942)	-10%
TRANSFERS IN	10,000	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$7,159,852	\$7,279,156	\$7,224,338	(\$54,818)	-1%
(1)					
(1) Calculated General Fund revenues are 0.9% above estimates as of July 31, 2017.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2017-18	AS OF 07/31/17		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$503,140	\$53,420	\$449,720	89.4%
CITY MANAGER	2,688,191	282,660	2,405,531	89.5%
COMMUNITY OUTREACH AND ENGAGEMENT	1,748,354	348,656	1,399,698	80.1%
CITY CLERK AND RECORDS MANAGEMENT	1,027,056	82,945	944,111	91.9%
CITY ATTORNEY	1,687,264	136,888	1,550,376	91.9%
CITY TREASURER	207,461	17,285	190,176	91.7%
TOTAL POLICY/LEADERSHIP	7,861,466	921,854	6,939,612	88.3%
ADMINISTRATIVE SERVICES				
FINANCE	5,153,068	1,049,197	4,103,871	79.6%
HUMAN RESOURCES	3,966,693	773,037	3,193,656	80.5%
TOTAL INTERNAL SERVICES	9,119,761	1,822,234	7,297,527	80.0%
PUBLIC SAFETY				
POLICE	36,635,253	3,896,315	32,738,938	89.4%
FIRE	22,575,757	2,560,865	20,014,892	88.7%
TOTAL PUBLIC SAFETY	59,211,010	6,457,180	52,753,830	89.1%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	11,092,195	1,935,404	9,156,791	82.6%
HOUSING AND NEIGHBORHOOD SERVICES	1,447,790	269,193	1,178,597	81.4%
TOTAL COMMUNITY DEVELOPMENT	12,539,985	2,204,597	10,335,388	82.4%
COMMUNITY SERVICES				
PARKS AND RECREATION	16,932,035	4,200,415	12,731,620	75.2%
LIBRARY AND CULTURAL ARTS	12,874,735	1,088,701	11,786,034	91.5%
TOTAL COMMUNITY SERVICES	29,806,770	5,289,116	24,517,654	82.3%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	2,151,731	178,058	1,973,673	91.7%
ENVIRONMENTAL MANAGEMENT	678,134	146,214	531,920	78.4%
GENERAL SERVICES	9,970,656	2,270,353	7,700,303	77.2%
TRANSPORTATION	7,100,411	1,083,899	6,016,512	84.7%
TOTAL PUBLIC WORKS	19,900,932	3,678,524	16,222,408	81.5%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	16,705,524	354,694	16,350,830	97.9%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,500,000	0	1,500,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,660,524	12,809,694	17,850,830	58.2%
TOTAL GENERAL FUND	\$169,100,448	\$33,183,199	\$135,917,249	80.4%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
(c) Amount available would be 83.5% if funds were spent in the same proportion as the previous year.				

Water Enterprise

WATER OPERATIONS FUND					
JULY 31, 2017					
	BUDGET FY 2017-18	YTD (*) 07/31/2016	YTD (*) 07/31/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 35,300,000	\$ 3,235,272	\$ 3,600,961	\$ 365,689	11.3%
INTEREST	251,000	23,280	31,665	8,385	36.0%
MISC. SERVICE CHARGES	296,000	28,467	29,685	1,218	4.3%
PROPERTY TAXES	3,605,000	0	0	0	0.0%
FINES, FORFEITURES & PENALTIES	260,000	21,323	23,609	2,286	10.7%
OTHER REVENUES	648,000	47,005	52,137	5,132	10.9%
TOTAL OPERATING REVENUE	40,360,000	3,355,347	3,738,057	382,710	11.4%
EXPENSES:					
STAFFING	3,681,630	311,890	298,653	(13,237)	-4.2%
INTERDEPARTMENTAL SERVICES	2,243,082	184,327	185,502	1,175	0.6%
PURCHASED WATER	22,800,000	1,835,807	2,295,927	460,120	25.1%
MWD/CWA FIXED CHARGES	6,800,000	565,547	544,339	(21,208)	-3.7%
OUTSIDE SERVICES/MAINTENANCE	1,418,326	1,384	2,670	1,286	92.9%
DEPRECIATION/REPLACEMENT	3,910,000	317,276	325,833	8,557	2.7%
CAPITAL OUTLAY	31,530	0	0	0	0.0%
MISCELLANEOUS EXPENSES	1,046,641	10,510	21,898	11,388	108.4%
TOTAL OPERATING EXPENSES	41,931,209	3,226,741	3,674,822	448,081	13.9%
OPERATING INCOME/(LOSS)	\$ (1,571,209)	\$ 128,606	\$ 63,235	\$ (65,371)	-50.8%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 5.25 and 4.85 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2016 and January 2017 respectively, coupled with a six percent increase in water sales during the first month of the new fiscal year due to less restrictive water usage constraints.
- A 12.6 percent increase in the average cash balance combined with a 20.9 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in fines and forfeitures is due primarily to an increase in late charge and returned check revenue.
- The increase in other revenues is primarily the result of increases in cell site lease and service installation revenue.

Expenses



- For Fiscal Year 2017-18, a total of 2.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload.
- A 7.7 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 1.5 percent increase in the amount of water purchased, which includes the purchase of more costly desalinated water directly from the desalination plant as well as replenishing stored water reserves, represent the primary drivers in this variance.
- Decreases in the Calendar Year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in electrical/SCADA services and regulatory fees have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
JULY 31, 2017					
	BUDGET FY 2017-18	YTD (*) 07/31/2016	YTD (*) 07/31/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,035,000	1,156,856	1,157,487	631	0.1%
INTEREST	75,000	8,892	14,436	5,544	62.3%
OTHER REVENUES	290,000	30,610	24,054	(6,556)	-21.4%
TOTAL OPERATING REVENUE	13,400,000	1,196,358	1,195,977	(381)	0.0%
EXPENSES:					
STAFFING	2,333,179	152,750	162,843	10,093	6.6%
INTERDEPARTMENTAL SERVICES	1,323,235	103,893	107,654	3,761	3.6%
ENCINA PLANT SERVICES	3,469,456	273,998	289,121	15,123	5.5%
OUTSIDE SERVICES/MAINTENANCE	665,723	41,936	42,065	129	0.3%
DEPRECIATION/REPLACEMENT	3,650,000	301,873	304,167	2,294	0.8%
CAPITAL OUTLAY	238,261	0	0	0	0.0%
MISCELLANEOUS EXPENSES	658,795	5,091	3,347	(1,744)	-34.3%
TOTAL OPERATING EXPENSES	12,338,649	879,541	909,197	29,656	3.4%
OPERATING INCOME/LOSS	1,061,351	316,817	286,780	(30,037)	-9.5%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are flat as there was no rate increase in January 2017.
- Cash balances in the fund have increased from last year, combined with an increase in the average yield on the portfolio, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Decreases in miscellaneous expenses is primarily the result of lower equipment purchases.